

The Role of Microcredit in Promoting Women's Entrepreneurship Skills: Lesson from Amanah Ikhtiar Malaysia (AIM), Malaysia

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ABSTRACT

Some scholars' view of microcredit's potential as a tool of women's involved in a globalized capitalist economy. It seems that this scheme create opportunities for women to get involve in the entrepreneurship programme. In the case of Malaysia, AIM's microcredits programs is an individual-based lending, and a near exclusive focus on women as loan clients, have become platform to produce entrepreneur as well as antipoverty intervention. Microcredit aims to break the rural poor in developing countries especially groups of unable to access bank loans and poor villagers rely on local moneylenders. For these people, microcredit provides an alternative source of credit and offering collateral-free loans. Previous studies shown that microcredit has changed the socio-economic of the participant in increasing empowerment, entrepreneur skills, transformational thinking and a desire to improve get out from poverty. The finding presented here provided the empirical evidence and augment previous research on the factor role of microcredit in promoting women's entrepreneurship skills and the effectiveness of AIM in encourage women to venture into the world of entrepreneurship.

Keyword: *Microcredit, Amanah Iktiar Malaysia (AIM), poverty reduction, increase quality of life, entrepreneur development program.*

INTRODUCTION

Inspired by the microcredit programme in Bangladesh, Malaysia was introduced a microcredit programme as a one poverty eradication programme in the country. Microcredit program can help to reduce the independence of poor from government by promoting the concept of self reliance (Roslan, 2006). Also known as a tool for rural development and poverty alleviation, microcredit programme will given credit to the poor to start their own income- generating activity. There are several microcredit institution in Malaysia, *Tabung Ekonomi Kumpulan Usahawan Nasional* (National Entrepreneurs Economic Group Fund - TEKUN) and *Amanah Ikhtiar Malaysia* (AIM) is the leading organization working toward socio-economic development of the poor and hardcore poor household in Malaysia. TEKUN was established in 1998 under Ministry of Entrepreneur Development and Cooperatives Malaysia whereas AIM was established in 1987 to provide small scale financial services and training to poor and hardcore poor only. (Manum et al., 2012)

Malaysian government is very concerned with regard to problem of poverty prevailing low income group. Poverty eradication has become one of the government agenda in their policy, poverty problem happen in everywhere and faced by developed country as well as in developing country. Malaysia is one of the developing countries that face with poverty problem before independence. After 58 years of dependence from the colonialisms, poverty is still happened in Malaysia. Government of Malaysia was introduced several of policy and programs in order to solve this problems. As recorded by Department of Statistics Malaysia shown that, in 2004 hardcore poverty was reduced from 1.2 percent to 0.07 percent in 2009 and by that reduction the incidence of overall poverty fell from 5.7 percent in 2004 to 3.8 percent in 2009 and overall of poverty rate currently in Malaysia is 3.7 percent. (Department Statistic of Malaysia, 2011)

Malaysia poverty problem no longer can be addressed in the same way as it has been done in the past. There are various policies strategies and programs that were formulated and adopted have managed to have significant impact on absolute poverty reducing its incidence from 50 percent in 1970 to 3.6 percent in 2007. Malaysia is no longer just grappling with absolute poverty but also with relative

poverty, pockets of persistent poverty and urban poverty as well as increasing inequality.

After 27 years of independence now a day Malaysia is still faced with the poverty problems, therefore government was introduced several policies in order to handle this problem, starting from 1971 New Economic Model (NEP) was introduced, followed by National Development Policies (NDP) that was launched in 1982 and implementation of National Vision Policy (NVP) in 2000. In 2010, Prime Minister of Malaysia was announced New Economic Model (NEM) which is intended to more than double the per capita income in Malaysia by 2020. Start from that, this program has become yearly agenda by government to allocate for social business model for poverty alleviation program purposes.

There are the programs and strategies done by government in order to reduce poverty problems in Malaysia. A combination of continued welfare and new drive towards independent living were incorporated in the strategy. Hence, from time to time government was introduced the new programs to take care of the vulnerable of the society. Eleven of program was identified and suggested as high priority for poverty reduction program, the programs are: advancing agricultural sector, strengthening small medium enterprises, improving welfare of student, strengthening pre-school education, improving literacy and numeracy, creating quality school, increasing home ownership, expanding public health facilities, enhancing social safety nets, improving retirement scheme and microfinance vs microcredit (Hatta & Ali, 2013)

Microfinance can be defined as financial instrument such as loans, savings, insurance and other financial products that are tailored only to the poor. Microfinance is created in the economy for the economic benefit of the poor and alleviates poverty. Before introduction of microfinance, the poor had difficulty accessing commercial finance institution because of the lack of collateral and unverified credit histories. Robinson (2001), microfinance refer to small scale financial service primarily credit and saving-provided to people who farm or fish or herd. On the other hand, microcredit is lending side of microfinance. Microcredit loans help the poor to be involved in income generating activities that allow them to accumulate capital and improve their standard of living (Littlefield, Morduch & Hashemi, 2003).

LITERATURE REVIEW

Amanah Ikhtiar Malaysia

Amanah Iktiar Malaysia is a non-governmental organization offered micro-credit as an alternative to the poverty alleviation programme. Amanah Iktiar Malaysia also known as AIM was replicated from Grameen Bank from Bangladesh. The initial project of AIM is initiated by social science scientist from Universiti Sains Malaysia, that pilot project known as *Projek Ikhtiar* in 1986. After 2 and half year of the project it's been successful and AIM was established in September 1987. AIM was followed the Grameen Bank method and practice to deliver their service.

The loan schemes offered by AIM can be divided into three categories. The first loan for economic purposes followed by non-economic purpose and third is for recovery. The latest micro loan that introduced by AIM is the urban micro loan in the economic category. This loan scheme is tailored to poor and low-income earners living in urban areas. With this loan scheme it is hoped that poor and low income group can set up small business to increase their income and have a better life. Each loan group has different eligible loan amount and duration of installment. For the economic purposes, there are loan scheme named as *i-Mesra* loan, *i-Srikandi* loan, *i-Wibawa* loan and latest one is urban micro loan (Manum et al., 2011). For the non-economic purpose or also known as social loan, there are *i-Bistari* loan and *i-Sejahtera* loan and for recovery loan known as *i-Penyayang* loan.

Started with the single branch in 1987, now a day AIM has expended to include a total of 88 branches operating in the district in Peninsular Malaysia as well as Sabah and Sarawak with membership of 342,927 as shown in **Table 1** and had disbursed a cumulative of RM 10.1 billion of the loan to its members by Feb 2014 as shown in **Table 2** (AIM, 2014). The operation of AIM is different from other micro-finance institution. AIM was organized via the group- center concept which is translated in the form of groups and federated into centers. While the membership of AIM is open for the low income and under poverty group also household who are earn an income less than two-third of the government poverty line, currently AIM is open to household earning a household income equal to or lower than

RM2,000 or per capita below RM400 per month (Omar, M. Noor & Dahalan, 2012).

AIM program was designed exclusively to the poor and low income group to help the group moving forward and stand on their own capability. The delivery system created by AIM specifically to achieve the target as follow; loan provided by AIM to the client are with no collateral, no guarantor, no interest and there are no legal action will be taken for those who are failing to repay the loan amount. Besides that, for member in group's loan, each group member is stand as guarantor and credit discipline via peer pressure, each member in the group are responsible to support the others, and peer pressure has contribute to the maintenance of credit discipline. Other than that, members are compulsory attend for the weekly meeting and contribute to the group saving. And lastly, AIM's staff will monitor weekly meeting conducted by head of center and loan are strictly for any income generating activities and loans are properly utilized by borrower, members in each group will present their weekly financial report (Omar et al., 2012)

Malaysia has set by the year 2020 the country will achieve developed nation status by estimating the reduction of poverty and improve living standards in line with others developed countries. In this case, AIM was give the positive impact to the participant quality of life and raising the standard and lead improvement in poor household's quality of life.

Table 1:

AIM Membership by Region

Region	Number of Members	Percentage (%)
Pahang	22,968	7
Terengganu	30,437	9
Kelantan	48,815	15
Perak	40,943	12
Kedah	43,822	13

(continued)

Region	Number of Members	Percentage (%)
Tengah	16,332	5
Lembah Kelang	17,540	5
Sabah Tengah	16,067	4
Sabah Barat	35,211	10
Sabah Timur	27,545	8
Sarawak Utara	17,337	5
Sarawak Selatan	19,009	5
Selatan	22,968	6
TOTAL	342,927	100

Source: AIM's Website 2014

Table 2:

Cumulative Disbursement by Region

Region	Disbursement (RM)	Percentage (%)
Pahang	630,365,970	6
Terengganu	1,407,992,655	13
Kelantan	2,512,799,708	24
Perak	1,315,419,040	12
Kedah	1,849,744,610	17
Tengah	184,047,140	2
Lembah Kelang	449,504,170	4
Sabah Tengah	317,203,010	3
Sabah Barat	77,222,450	4
Sabah Timur	441,832,390	4
Sarawak Utara	375,921,920	4

(continued)

Region	Disbursement (RM)	Percentage (%)
Sarawak Selatan	391,985,230	4
Selatan	630,365,970	6
TOTAL	10,665,725,643	100

Source: AIM's Website 2014

Microcredit and National Development

Microcredit has given positive impact of national development. By provided loan service to the poor and hard core poor, nearly half world's populations are able to access to the basic financial service. Smith and Thurman (2007) as quoted by the late Milton Friedman, Nobel Prize winner in Economic 1976, "The poor become poorer not because they are lazy but because they have no access to capital". This is the reason why micro-credit institutions are necessary, the institutions provide an opportunity to poor and hard core poor to borrow money to solve their problems and pay back the money in the future. In one hand, microcredit institution are creating opportunity to the poor to moving out from poor situation, and on the other hand this institution creates access to productive capital which is human capital and social capital (Manum et al., 2010). Microcredit enables poor and hard core poor to build up life by produced their own capital as well as able to protect the capital.

There are evident that microcredit was produced positive impact to the poor and hard core poor household .Microcredit program's participants able to generate their income by using the capital from the institution and start with small business and improved house condition, medical facilities and children schoolings. Microcredit has given the positive capital impact, not only for the capital impact but also human capital impact. Microcredit enable to move out poverty and low income group to the better life, there is significant evidence show that micro-credit has significantly given positive impact to the participant such as employment creation, income and expenditure of the target group, savings, assets ownership, wealth and comfort of family and community and increased the participant's standard of living (Rosman & Rosli, 2013)

Microcredit program in Malaysia has become the important tool for rural development, there are program and strategy was arranged the government as well as non-government for this program such as microenterprise project through created a new criteria of entrepreneur known as micro- entrepreneurship (Mondal, 2012). On the other hand, microcredit institution also provided basic skill training for microentrepreneur. While Ministry of extended permission to international bank operating in Malaysia to provide microcredit financing, the project assisted by United Nation Development Program (UNDP) and others agencies, the mission of this project is to increasing communication, strategies and awareness and women empowerment in 2009.

Women and Entrepreneurship

Malaysian government has been actively and concern in women entrepreneur development program, this is to ensure women entrepreneur are not left behind from economic development and national agenda, it was found that Malaysian women has been increasingly involved in various enterprises which formerly dominated by male. Amanah Ikhtiar Malaysia was offering credit without collateral was identified as a powerful tool in promoting entrepreneur development program especially for the women. The credit program to poor and low income group in urban and rural area Peninsular Malaysia, Sabah and Sarawak was using group based method. By group based method, AIM become different from other microcredit program. Finding of this study shown that microcredit program by AIM as a role to promoting women entrepreneurship are significant based on several research done.

The concept of entrepreneurship as a process of using initiative to transform a business concept to new venture or enterprise with high growth potential, where entrepreneur can be identify as an innovation to seize an opportunity, mobilize money and management skill and takes a risk to open market new products, processes and service. Hamdam, Othman and W. Hussin (2012) in Malaysia effort to poverty eradication through entrepreneurship was undertaken by government since 1957 (Malaya independence from British), followed by introduced New Economic Policy (NEP) in 1971-1990 and the

concept of entrepreneur become more significant by Knowledge Economy (K-Economy) for objective of achievement vision 2020.

AIM has contributed to the entrepreneur development skill especially to the women. AIM was provided services and training in order to enhancing the entrepreneurship skill among Malaysian's women. Training provide by AIM such as:

- Developing entrepreneur character.
- Basics of entrepreneurship.
- Basic skills.
- Technical skill.
- Business enhancement skill.

Others than that, AIM also provide service for business development, which is participants are involved in business transforming and human capital development (Amanah Iktiar Malaysia, 2011). The entrepreneurial concept is a continuous process, it's not only limited to the business starting process but the process encompasses the activities to manage and microenterprise business development.

The relationship between women and socio-economic development is significant, there are empirical evident to measure the impact of microcredit on women's empowerment. The empowerment index was designed based on eight empowerment indicators, namely mobility, economic security, ability to make small purchases, ability to make larger purchases, involvement in major decision, participation in public protests and political campaigning, relative freedom from family domination and political and legal awareness. From their analysis found that a woman contributing to her household income is a significant contributing factor toward her empowerment. This is happened when women who are participated in business their felt that their status had improved after contributed in household income earners. On the other hand, after participating in microcredit program their more active and able to make decision to household expenditure and more control to the household income (Manum et al., 2014).

Samia (2011), discusses the impact of microcredit to women empowerment, finding of her research shown that most of the women agreed by joining microcredit program hey have the financial capability to make more confident decisions with respect to the family's daily

expenses, children's education and family health. Moreover, women face to the obstacle to startup and developed their own business. In Pakistan, women are face with mobility barrier which include travel for business purposes, this happened not only as a result of poor but also because of social and culture norm (Roomi & Harrison, 2005). The situation is different with the other country, such as in Malaysia women are freely moving and traveling for their business purposes. On the other hand, Malaysian government is really serious on the entrepreneur development program among women, even the implementation of microcredit in Malaysia also is one of the efforts to open up opportunities for women to get involved in entrepreneurship.

Monitoring and Screening Process

The efficiency of AIM program is as a result of monitoring and screening approach practiced by AIM. Screening process is to ensure the only eligible household will received loan from AIM. This is also to monitor credit discipline among the borrower. AIM also was practiced monitoring approach (Hamdan et al., 2012a&b) by monitoring approach members as well as AIM's borrower are compulsory form the weekly meeting and monitoring by AIM officer. The meeting will be conducted an hour per-week by attending by groups and repayment will make at this meeting. Monitoring in micro entrepreneur is important for the future direction.

Contribution and Recommendation

This paper has explained the role of microcredit in promoting women's entrepreneurship skill. This conceptual paper has been done by reviewing and exploring the microcredit contribution in rural development, the effectiveness of microcredit to enhancing women involved in small business and the AIM's experience as a microcredit institution in Malaysia.

This paper will contribute to the information of AIM role in women entrepreneur development skill and knowledge. The finding of this study shown AIM is still relevant as microcredit institutions in providing skill and knowledge of entrepreneurship and small business development. To ensure the continuously of relevancy AIM should

re-evaluate some of the method applied to the borrower. They should formulate special method to promote urban women to become AIM members. Its is because there are the differences between rural women and urban women, in term of economic needs, family structure and education back ground as well as their business activity. The amount offered by AIM also should different between rural and urban women.

It's a good when AIM offering of collateral free credit program for the borrower, but some of them are not understand with the term and condition applied by AIM, therefore, special training should open to those who are interested with product from AIM. Arrangement of vocational training program and some of the skill training should organize by AIM in order to ensure borrowers are fully utilizing the loan given by AIM. In one hand, creation awareness to enhance education among borrower also a crucial part to confirm the sustainability of business development by women entrepreneurs. On the other hand, weekly monitoring by AIM officer should expend to not only for repayment, they are should become facilitator and motivator for borrower to expand and encourage their spirit.

CONCLUSION

The role of microcredit in poverty evaluation was well documented in the literature of microcredit. However, there are lacks of studies microcredit's role to women entrepreneurship skill, microcredit is a one of good enough product to encourage entrepreneur development especially in developing country. From this paper, therefore increasing our understanding toward role of microcredit to women entrepreneur as it's was found that microcredit decrease of poor and low income level in Malaysia. However, government of Malaysia as well as AIM should create or re-evaluate and by doing monitoring with the method applied to encourage more participant or members among women to join this program. This paper was first phase in investigating role of microcredit in women entrepreneur development skill and apart of larger ongoing research. In future this study will seek to understand the entrepreneur development program lesson by AIM also others microfinance institution and this is part of doctor of philosophy research.

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